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DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

Draft resolution submitted by the President

The Trade and Development Board,

Reaffirming its resolution 388(XXXVII) of 17 October 1990, and its resolution 165 (S-IX) of 11 March 1978,

Recalling the Final Act of the seventh session of the United Nations Conference and Trade and Development and General Assembly resolution 45/214,

Recalling also the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, contained in the annex to General Assembly resolution S-18/3, and especially its paragraph 26,

Recognizing the importance of resources for development in the agenda for UNCTAD VIII,

Noting the progress made by some debtor countries, which have obtained debt and debt service reductions in support of their own adjustment efforts, in stabilizing their economies and in enhancing their normal debtor-creditor relations,

Concerned, that in many developing countries, especially the heavily indebted ones, the burden of debt and debt service constitutes one of the major obstacles to accelerated growth and sustainable development and eradication of poverty, despite often painful adjustment efforts on their part,

Convinced that, despite some recent upturn in resource flows, substantial new external financial resources are required by developing countries, in view of the huge development tasks ahead, especially the indispensable fight against poverty,

Welcoming the recent improvements in the debt strategy, which includes debt and debt-service reductions as a central element, notably:

- the application of the Houston terms by the Paris Club in favour of lower middle income-countries,

- the launching of the Enterprise for the Americas initiative to enhance trade, increase investment and reduce bilateral debt in Latin America and the Carribean,

- substantial measures implemented or announced by creditor countries to cancel official development assistance debt,

- additional debt and debt-service reduction packages agreed between debtor countries and commercial banks,

- the agreement reached at the London Economic Summit of the Group of Seven in July 1991 on the need for additional debt relief measures in favour of low-income countries, which would go well beyond the relief already granted under Toronto terms,

- the debt reductions agreed by the Paris Club in favour of Egypt and Poland,

Convinced that a wider, effective and expeditious implementation of the strengthened debt strategy for commercial debt is necessary,

Welcoming the proposals calling for the reduction or cancellation of official bilateral debt owed by Least Developed Countries and other low-income countries adopting sound economic policies,

Noting the various proposals aimed at reducing commercial debt of developing countries at deep discounts, including proposals on the establishment of an international debt facility,

Noting the initial implementation of the strengthened arrears strategy by the Bretton Woods institutions,

1. Agrees that there is a need for continuing efforts, through the international debt strategy, both in the short and long run, with a view to promoting accelerated growth, sustainable development and a rapid return to creditworthiness in developing countries,

2. Agrees, in this context, to engage, at UNCTAD VIII, taking its role amidst other relevant fora into account, in discussions on the progress in addressing international debt problems, with a common effort to foster, through greater mutual understanding and co-operation, a positive outcome in support of the dynamic reinforcement of the International Debt Strategy. These discussions will include inter alia, the following:

(a) Appropriate support by industrialized countries, within the framework of international co-operation, for the adjustment efforts undertaken by developing countries to bring about a more favourable international economic environment conducive to non-inflationary growth and development by adopting an appropriate mix of fiscal and monetary policies conducive to a decline in interest rates; by promoting the stability of exchange markets by facilitating adequate financing of adjustment programmes, by encouraging the flow of foreign direct investment and other non-debt-creating flows to developing countries; and by contributing, with all trading partners, to a timely and successful outcome of the Uruguary Round of Multilateral Trade Negotiations that would result in the liberalization and expansion of world trade to the benefit of all countries, especially developing countries. In this context, particular attention will be given to appropriate new financial resources to developing countries, including an increase in aid efforts, in line with the economic declaration of the London economic summit of the Group of Seven;

(b) Continuation by debtor countries of the implementation of their growth-oriented adjustment and export diversification policies, including sound macro-economic and structural policies, measures to consolidate national savings, attract foreign direct investment and other non-debt-creating flows, and reverse capital flight, taking into account their priorities and the needs of the most vulnerable groups;

(c) Prompt implementation by the Paris Club of the economic declaration of the London Economic Summit of the Group of Seven on additional debt relief in favour of low-income countries, bearing in mind the various proposals put forward by some governments concerning substantial debt reductions for these countries;

(d) Examination, in the relevant fora, of appropriate debt relief measures in favour of heavily indebted middle-income countries, including, on a case-by-case basis, debt and debt service reduction;

(e) More effective implementation of the strengthened debt strategy (Brady initiative) designed, inter alia, to extend, on an appropriate scale, to additional eligible countries the reduction of debt and debt service owed to commercial banks with financial support from official sources, where appropriate. In this regard, multilateral institutions and creditor Governments are invited to continue to review intensively those aspects of their operating guidelines, and fiscal and regulatory provisions, that have a bearing on debt and debt-service reductions, to ensure that they facilitate this process;

(f) Intensified efforts by all countries and multilateral financial institutions to implement fully and expeditiously the Programme of Action for the Least Developed Countries for the 1990s adopted by the United Nations Conference on the Least Developed Countries held in Paris in September 1990;

(g) Consideration of appropriate support, including substantial new financing and/or debt reduction for low income countries with substantial debt burdens which continue to service their debt and meet their international obligations at great cost;

(h) Implementation of the strengthened arrears strategy involving multilateral financial institutions, as well as broader issues, including the financial flows from these institutions to developing countries, bearing in mind the need to preserve the financial integrity of these multilateral financial institutions.